

Project Interview 4

Interviewee: Ozan Diren

Sector: Beverage-Agriculture

Date: 16 September 2019

Location: Phone Interview

Within the scope of the “Customs Union for SMEs” Project, we interviewed Mr. Ozan Diren who is representing the Beverage-Agriculture Sector. Ozan Diren leads Turkey’s first local-capital fruit juice and a one of Turkey’s leading beverage brands, DİMES.

Diren started working for DİMES in university years, taking responsibilities at every level and in every corporate department. Meanwhile he pursued his academic training, graduating from İTÜ as an Industrial Engineer, prior to receiving a post graduate Marketing diploma from the University of Hartford. Later, he completed Finance advanced specialization program at İstanbul University’s Institute of Corporate Economics.

Parallel to the corporate vision and the development competitive environment, Ozan Diren spearheaded the formation of Nobel Pazarlama Ltd. within the DİMES group, and he has become the company’s first General Manager. In 2011, Diren is appointed as DİMES CEO.

Apart from TÜRKONFED, Ozan Diren is a Board Member in MEYED and he is involved at ŞÜD, TGDF, TÜSiAD, ASÜD and SETBİR.

We asked Mr. Ozan Diren;

- what the main problems are within the current Customs Union agreement for the Food Sector,
- if there are any bottlenecks in the Food Sector resulting from the lack of modernization of the Customs Union,
- what the sector expects from the modernization of the Customs Union,
- if he had any suggestions on how to benefit from this process and increase the competitiveness of SMEs.

Below, we present Mr. Ozan Diren’s response:

“There are export incentives regarding the Agriculture Sector in Turkey, which I predict in time these incentives will be abolished bilaterally (EU-Turkey). Regarding this issue, we, as the Juice Industry, have a position: The incentives given directly to farmers could be implemented on the product they sell to the industry. This would be an important advantage. The incentives’ mechanism could be reorganized in a way that the agricultural products such as the cherries, apples, oranges are not exported but their value added versions are exported. The incentives should be implemented on the value added product. If

we can have this incentive chain in export we can reach the EU standards and we can protect the competitiveness of the agriculture sector.

We need a modification in the incentives' mechanism: The farmer sells his product to a company where the product will be processed. The company provides the farmer with a producer receipt and the farmer can receive direct incentive per product he sold. Within this system the farmer is registered and follows the necessary product regulations, he gets incentives but he is also forced to be registered in the Farmer Registration System (ÇKS). The companies within that system are also registered and comply with the necessary standards and procedures, so when they enter the export market the image of Turkey is protected, the companies operate in quality.

We need to give the incentives to the farmers upon the products they sell to companies which will process these products and then export to the EU. We don't need incentives to export oranges, but we need incentives to produce and export orange juice. We support the selling process while we define the seller and the buyer. This mechanism is applied in the Dairy Sector, but not in the Beverage Sector."

Pelin Dilek Yenigün: "Why is the Dairy Sector is defined to be the most inefficient and is expected to create the highest foreign trade deficit?"

"That results from a different issue. Our dairy sales to the EU require dispensation because of brucella issue in our farms. The majority of the milk we sell to the EU today (Pınar, etc.) is processed in the EU. We cannot carry the milk we have here to the EU, it needs to be processed there. When we pasturize the milk the brucella doesnot exist anymore but the EU does not recognize that. If this problem can be solved, we can expect a substantial increase in dairy export. Here the government can start implementing a program which will inform the farmers on how to fight against brucella and other diseases. If we give 10 liras incentive to milk producers, we can give 15 liras incentive to those who produce milk that complies with the EU standars.

On the other hand, there are some controlled markets (kontrollü piyasalar). Sugar is one of the most important markets regarding that. The liberalization in the EU is now completed. **Sugar's cost per ton has dropped to 400\$ in the EU, whereas this amount is 1.100\$ in Turkey.** This results from the fact that in Turkey it is a controlled market, but in the EU it is a liberal market. This is in our disadvantage in terms of competitiveness. **We either liberalize the sugar market, or we need a long-term exportation solution; it can be incentives, or the government can introduce quotas to sugar companies.**

The incentives are distributed to wrong channels.

We need a **roadmap** to involve the Agriculture Sector in the Customs Union."